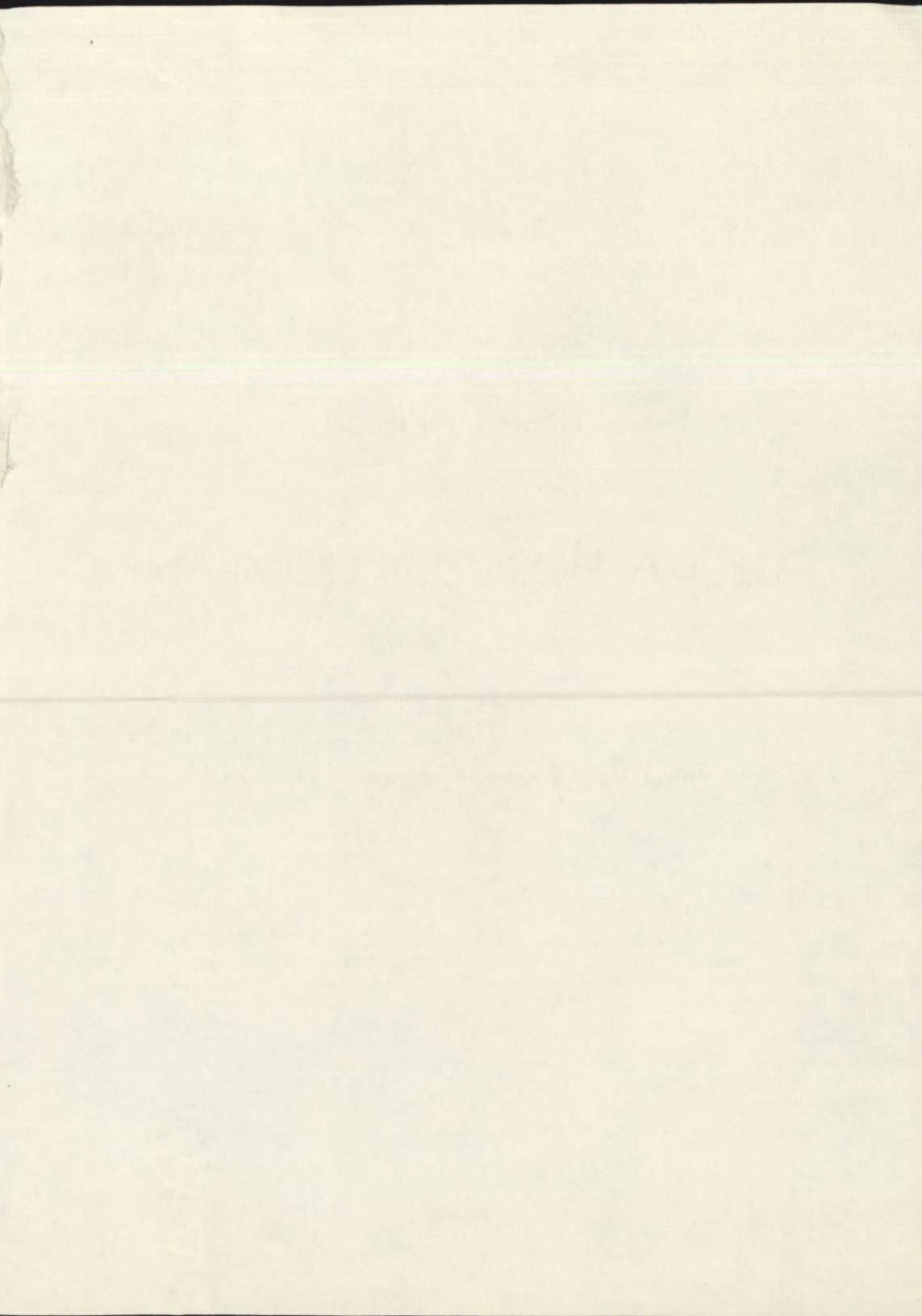


CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION
CORPORATION FILE

Financial Report
OF
GEO. A. HORMEL & COMPANY
AUSTIN, MINNESOTA
for the
Fiscal Year Ended October 30, 1954



OFFICERS

*Jay C. Hormel	-	-	-	Chairman of the Board
H. H. Corey	-	-	-	President
R. F. Gray	-	-	-	Executive Vice President
R. H. Daigneau	-	-	-	Vice President
Park Dougherty	-	-	-	Vice President
R. D. Gower	-	-	-	Vice President and Controller
T. H. Hocker	-	-	-	Vice President
A. E. Larkin	-	-	-	Vice President
Clarence A. Nockleby	-	-	-	Vice President
J. L. Olson	-	-	-	Vice President
E. J. Garrity	-	-	-	Assistant Vice President
M. F. Dugan	-	-	-	Treasurer
Geo. W. Ryan	-	-	-	Secretary and Assistant Treasurer
P. C. Knopf	-	-	-	Assistant Treasurer
R. C. Dougherty	-	-	-	Assistant Secretary
R. H. Biedermann	-	-	-	Assistant Controller
E. H. Larson	-	-	-	Assistant Controller



DIRECTORS

R. S. Banfield	
H. H. Corey	
R. H. Daigneau	
Park Dougherty	
M. F. Dugan	
R. D. Gower	
R. F. Gray	
T. H. Hocker	
*Jay C. Hormel	
A. E. Larkin	
Clarence A. Nockleby	
J. L. Olson	

*Deceased August 30, 1954

Austin, Minnesota
December 6, 1954

To the Stockholders of
Geo. A. Hormel & Company

The financial report of your company for the fiscal year ended October 30, 1954, is submitted herewith.

Net dollar sales for the year amounted to \$331,821,953. This is an increase of 5.9% over the previous year and represents our highest dollar sales to date.

The sales tonnage reached another new high; it amounted to 991,615,313 pounds, an increase over the year before of 4.8%. This makes the eighth successive year the tonnage sales have increased.

After allowing for dividends on preferred stock, the net earnings applicable to the common stock were \$1,746,716, or \$3.41 per share, compared to \$5.73 last year and \$4.02 the year before.

The year's earnings were less than satisfactory, and the results were largely due to circumstances well beyond our control. As we have emphasized previously, the packing business must have volume to be successful inasmuch as the earnings per dollar of sales are much lower than in most any other industry. Early in the year it became apparent that the number of hogs to be marketed would be considerably below the previous year, and the packers, in their endeavor to maintain volume, found it necessary to pay continuing higher prices for hogs. It soon became evident that the consumers were not ready to absorb the resultant higher cost of product, and this condition resulted in a loss in our slaughtering operations. As the season advanced prices became softer, and the inventories, accumulated at higher hog costs, had to be sold at a loss. It is necessary for us to maintain sufficient stocks to take care of regular customers and last year this resulted in unprofitable operations for extended periods.

Our net profit amounted to only 55 cents per hundred dollars of sales, or 18 cents per hundredweight of product sold.

We continue to price our inventory, as reflected in our financial report, at the lower of cost or market.

This makes the sixteenth year the company has practiced profit sharing, or "joint earnings," with our employees. We are glad that even though this has been a thin year profit-wise, we have been able to make a joint earnings contribution amounting to approximately one-half check, based on a 40 hour week. The total distribution amounted to \$379,558. Likewise, this year's contribution of \$59,503 to the Hormel Employees' Profit-Sharing Trust is low; but, for the eleven years that the Trust has been established, the total contributions have amounted to \$9,812,343, or a yearly average of \$892,031. The investments of the money in the Trust during the year have provided earnings which will further increase the share of each employee with an interest in the Trust.

During the fiscal year, the company granted a 5 cent an hour general wage increase and an additional 1½ cents an hour to women employees, as well as some additional hospital benefits for employees which became effective as of December 1, 1953. Other packers granted relatively the same increases.

The new year, which began November 1, 1954, should produce better results, because apparently there is a much bigger volume of livestock available and, with the increased facilities which we have provided in the past few years,

we are in a position to handle a greater volume of business, both in slaughtering and processing. Prices of product in the retail stores are substantially lower, and we believe sales will be good.

The company is continually working on new products. Among the most important developments during the past year was *HAM STICKS*. This is a fully cooked frozen-food item, produced from ham, which can be prepared by the housewife in a few minutes and provides a most palatable and nutritious meat serving. The response from the trade on this item, which has just recently been put on the market, has been very gratifying.

We undertook no substantial new construction during the year, confining our efforts to completing installations previously started. Much of the expenditures for additions to our plants was for machinery and equipment to produce better product at more economical cost. This past year we rearranged our beef kill by installing the Can-Pak method of slaughtering cattle on the rail, like hogs are slaughtered. This method is the newest development in beef slaughtering, there being only one other installation in the United States. We have completed careful studies covering the production of new products and expansion of several of our present lines. This new expansion will be undertaken only after being fully proven and after full and careful consideration of all problems involved. Many of the new plans show considerable promise.

As a result of paying for the Fort Dodge plant and the additional cash requirements attendant to the operation of the new property, together with other capital expenditures, the company's cash position was reduced materially. The officers have, for some time, given consideration to strengthening the working capital of the company and, during the year, we completed an agreement with two of our principal banks for a new term loan. Under the terms of the agreement, we borrowed twelve million dollars on our company's unsecured note, which is payable \$1,200,000 each year for ten years, the first payment to be made on or before November 15, 1955. In completing this transaction, we retired all of the long-term loan shown in our last year's statement, including that portion which was current. This materially increased our working capital. After reflecting the year's business and the new loan, our working capital now stands at \$19,523,020 which is an increase of \$7,887,582 as compared to the previous year. We believe the terms of the new loan are to our advantage. There are, in our opinion, no restrictive conditions, and we believe the new financing is in the best interests of the stockholders, and with normal business we should have no difficulty in meeting the retirement provisions of the loan. Accelerated payments from earnings can be made without penalty. In making the new loan, our banks have shown their confidence in our company and its management. The increased working capital enabled us to retire all of our current bank loans at the year end, and the additional money will permit us to handle the business we expect to be available and also provide leeway for growth.

It is with sincere sorrow that we record the death of our close associate and Chairman of the Board, Jay C. Hormel. In his passing we lost a far-sighted and inspiring leader and one who regarded his business as a serious trust. Mr. Hormel long planned for the continuity of the business, and the control of the company now rests with The Hormel Foundation through stock ownership and trusteeship.

H. H. COREY
President

BALANCE

Geo. A. Hormel & Company

October 31, 1933

ASSETS

CURRENT ASSETS \$35,067,467

Cash	\$ 5,651,838
Accounts receivable, less allowance of \$100,000	11,369,788
Inventories of products, livestock, packages and materials—at lower of cost or market.....	17,657,179
Unexpired insurance premiums and other pre-paid expenses	<u>388,662</u>

PROPERTY, PLANT AND EQUIPMENT 19,568,466

Land—at cost	\$ 343,355
Buildings and equipment	18,344,501
Cost	\$32,492,165
Less allowances for depreciation and amortization ---	<u>14,147,664</u>
Movable equipment—inventoried at cost, less amortization	<u>880,610</u>

\$54,635,933

SHEET

ny — Austin, Minnesota

0, 1954

LIABILITIES

		CURRENT LIABILITIES	\$15,544,447
Accounts payable and accrued expenses, including pay rolls, profit-sharing trust contribution, etc.-----		\$13,430,989	
Dividends payable November 15 -----		341,369	
Federal taxes on income—estimated -----		<u>1,772,089</u>	
		LONG-TERM DEBT	12,000,000
Unsecured notes payable to banks, \$1,200,000 due annually on November 15, 1955 through 1963, and on June 30, 1964-----		<u>\$12,000,000</u>	
		STOCKHOLDERS' INVESTMENT	27,091,486
Preferred stock, cumulative, par value \$100 per share:			
Authorized 48,935 shares			
Issued and outstanding 14,454 shares—			
Series A, 6%, callable at \$105 per share		\$ 1,445,400	
Common stock, par value \$15 per share:			
Authorized 600,000 shares			
Issued and outstanding 511,500 shares-----		7,672,500	
Earnings reinvested in the business, in addition to amounts transferred to common stock (of the reinvested earnings at October 30, 1954, \$1,967,966 was free from the restriction on cash distributions on common stock under the long-term debt agreement) -----		<u>17,973,586</u>	
			<u><u>\$54,635,933</u></u>

STATEMENT OF EARNINGS

Geo. A. Hormel & Company

Fiscal year ended October 30, 1954

SALES (less returns and allowances) -----	\$344,035,636	
Less freight and express -----	12,213,683	
NET SALES -----		\$331,821,953
COSTS, EXPENSES AND TAXES -----		329,988,513
(Itemized below)		
MATERIAL COSTS AND EXPENSES	\$280,142,319	
Cost of products sold, selling, administrative and general expenses, exclusive of items shown separately -----	\$277,429,701	
Provision for depreciation and amortization -----	1,910,361	
Sundry charges (including in- terest expense of \$806,345) less sundry income and credits -----	802,257	
TOTAL WAGE COSTS	47,090,057	
Wages and salaries, including joint earnings -----	\$ 44,791,298	
Contribution to employees' profit-sharing trust -----	59,503	
Unemployment and federal old age benefit contributions---	817,327	
Group life, hospitalization, and sick leave -----	1,421,929	
TOTAL TAXES	2,756,137	
State income, property, and other taxes -----	\$ 1,071,137	
Federal taxes on income (no provision for excess profits tax required)—estimated---	1,685,000	
NET EARNINGS		<u>\$ 1,833,440</u>

EARNINGS REINVESTED IN THE BUSINESS

Geo. A. Hormel & Company

Fiscal year ended October 30, 1954

Balance October 31, 1953		\$17,505,620
Add net earnings for the year.....		1,833,440
		<u>\$19,339,060</u>
Deduct cash dividends		1,365,474
On preferred stock—\$6.00 per share.....	\$ 86,724	
On common stock—\$2.50 per share.....	<u>1,278,750</u>	
Balance October 30, 1954		<u><u>\$17,973,586</u></u>

ACCOUNTANTS' REPORT

To the Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have examined the Balance Sheet of GEO. A. HORMEL & COMPANY as of October 30, 1954, and the related Statements of Earnings and Earnings Reinvested in the Business for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Balance Sheet and Statements of Earnings and Earnings Reinvested in the Business present fairly the financial position of GEO. A. HORMEL & COMPANY at October 30, 1954, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Minneapolis, Minnesota
November 27, 1954

